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TO RUEHC/SECSTATE WASHDC 8357
INFO RUCPCIM/CIMS NTDB WASHDC
RUCPDO/DEPT OF COMMERCE WASHDC
RUEATRS/DEPT OF TREASURY WASHDC
RUCNCIS/CIS COLLECTIVE 0025
RUEHAK/AMEMBASSY ANKARA 2017
RUEHBUL/AMEMBASSY KABUL 0291
RUEHNE/AMEMBASSY NEW DELHI 0423
RUEHAST/USOFFICE ALMATY

UNCLAS SECTION 01 OF 02 ASTANA 000293

SIPDIS

DEPT FOR SCA/CEN (O'MARA)
DEPT PASS TO OPIC - BALLINGER
DEPT PASS TO TDA FOR STEIN, EXIM FOR GLAZER
DEPT PASS TO AID - EE-PHILLIPS/RUSHING
TREASURY FOR OASIA/VELTRI
USDOC FOR 4231/ITA/MAC/MLONDON, 4201/BISNIS
USDOC FOR 6110/ITA/TD/BI/RHALPERN
ANKARA FOR CFC

SIPDIS

E.O. 12958: N/A

TAGS: [ECON](#) [EIND](#) [ENRG](#) [EPET](#) [EFIN](#) [KZ](#)

SUBJECT: KAZAKHSTAN ECONOMIC AND ENERGY UPDATE, January 15 - 28, 2007

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¶1. Summary: This information is drawn primarily from the Kazakhstani local press, and has not been checked for accuracy. The opinions and policies expressed in this report are those of the authors, not the U.S. Government.

- New Halyk Bank Shareholders
- Development of Textile Cluster
- Economic Statistics
- KMG, Agip KCO, TCO Sign Kazakh Caspian Transport System MOU
- KMG Critical of Agip KCO Performance
- Agip KCO Faces Labor Problems
- Kazakhstan 2006 Oil Exports
- Kazakhstan Oil Production Forecast for 2007

New Halyk Bank Shareholders

¶2. After a successful December 2006 IPO on the London Stock Exchange, Halyk Bank acquired new foreign investors. Consequently, the bank's shareholders have changed: Almex Holding, controlled by Dinara and Timur Kulibaev (the second daughter of President Nazarbayev and her husband) holds 58.05% of Halyk's common stock; Deutsche Bank Trust Company Americas and Merix International Ventures Ltd hold 17.38% and 6.4% respectively; and Halyk Bank's Pension Savings Fund, 5.28%. (Respublika Business Review, January 26)

Development of Textile Cluster

¶3. Within the framework of the development of the "Ontustik" Free Economic Zone, a new state cotton-processing plant was launched in South Kazakhstan oblast. According to Agriculture Minister Esimov, the opening of this facility brought an end to the previous cotton processing monopoly in the region and allowed local farmers to earn an additional KZT 900 million (about \$7.1 million) during the 2006 harvest. The plant has a processing capacity of 60 thousands tons of raw cotton per year. ("Liter" newspaper, January 23)

14. According to the Financial Supervision Agency (FSA), as of January 1 2007, the total assets held by Kazakhstani mutual funds reached KZT 48.66 billion (about \$385.9 million); this represents a 395% increase since January 2006. Assets of equity investment funds increased 385% last year, to KZT 67.35 billion (about \$534.1 million). Currently, there are 86 mutual funds and 14 equity investment funds in Kazakhstan. (Interfax - Kazakhstan, January 26)

15. FSA reports that Kazakhstani insurance organizations collected premiums of KZT 120.2 billion (about \$953 million) in 2006, a 79.1% year-on-year increase. Voluntary property insurance constituted 74.5% of the overall volume of premiums, at KZT 89.5 billion (approximately \$709.8 million). Life insurance was the most dynamic insurance sector; insurance premiums of this type grew 2.6 times and reached KZT 3.7 billion in value (about \$29.3 million). Total assets of insurance companies grew to KZT 135.5 billion (about \$1.1 billion) in 2006, and total insurance reserves amounted KZT 67.6 billion (approximately \$536.1 million). (Interfax - Kazakhstan, January 26)

KMG, Agip KCO, TCO sign KCTS MOU

16. On January 24, the national oil company KazMunayGaz, the Agip KCO consortium, and the TengizChevrOil joint venture signed a Memorandum of Understanding on the Kazakhstan Caspian Transport System (KCTS). The KCTS will transport Kashagan and Tengiz oil through a planned Eskene-Kuryk pipeline to a terminal on the Kazakhstani Caspian coast, from which the oil will be carried by tanker to Baku, for onward shipment through the Baku-Tbilisi-Ceyhan pipeline. Initial KCTS capacity will be 25 million tons of oil, which will eventually be increased to 38 million tons. The cost of

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KCTS is estimated at \$3 billion, with completion scheduled for 2010-2011. (Interfax - Kazakhstan, January 26)

KMG Critical of Agip KCO Performance

17. The national oil company, KazMunayGaz, has serious complaints about the performance of North-Caspian project contractor Agip KCO because of delays in Kashagan oil production, KMG President Karabalin stated on January 23. KMG plans to hire independent consultants to conduct an investigation into the delays; the results are to be reported to State Holding Company "Samruk" and the GOK. Agip KCO shareholders include Eni, Total, ExxonMobil, Shell, ConocoPhillips, Inpex, and KMG. Initially, Kashagan development was to start in 2005. It was then delayed until 2008. According to current official estimates, commercial operations are to start in 2008-09. (Interfax - Kazakhstan, January 24)

Agip KCO Faces Labor Problems

18. On January 18, more than 200 Kazakh workers employed by the Turkish construction company "GATE Insaat Taahut Sanayi ve Ticaret" went on strike, demanding to be paid the same wages as foreign workers. ("GATE," an Agip KCO subcontractor, is constructing an oil processing facility in Karabatan, near offshore Kashagan.) After conducting an audit, the Atyrau Oblast Committee for Compliance with Foreign Labor Law suspended the foreign labor work permits for both "GATE" and another Agip KCO subcontractor, "Bonatti S.p.A" for one month. Beginning on February 1, both companies are ordered to find Kazakhstani replacements for all foreign specialists whose actual positions deviate from those approved by the Kazakhstani authorities. The Committee also announced its intention to conduct audits of all of Agip KCO's contracting organizations for compliance with foreign labor legislation.

19. In a January 20 meeting with the Atyrau Oblast Administration

Chief, ENI Vice President Guido Michelloti announced that Agip KCO would establish a worker trade union at the oil processing project in Karabatan, and would consider increasing wages paid to Kazakh workers involved in the project. Agip KCO Regional Director Luciano Vasques announced at a January 24 press conference that "Agip KCO will continue to monitor workers' living and working conditions, in order to ensure that high standards are maintained without any ethnic discrimination." He also promised that the consortium would organize professional skills training for its 1,500 workers, in order to reduce the need for foreign labor in the middle and long term. (Interfax - Kazakhstan, January 29)

Kazakhstan Oil exports in 2006

¶10. In 2006 Kazakhstan exported 57.1 million tons of oil, 9% higher than in the previous year, the Energy Ministry reported. The principal export route was through the CPC pipeline - 24.4 million tons of oil. Other export routes include: Atyrau-Samara - 15.6 million tons, Aktau port - 9.9 million tons, Orenburg - 2.4 million tons, Atasu-Alashankou - 2.2 million tons. (Interfax - Kazakhstan, January 18)

Kazakhstan Oil Production Forecast for 2007

¶11. According to Energy Minister Izmukhambetov, Kazakhstan will produce the same level of oil and gas in 2007 as in 2006 - about 65 million tons. "Most of the oil is produced onshore at old fields, the recovery rate of which is declining," the Minister explained, adding that "a considerable increase in production is expected in 2008 after TengizChevrOil's new production facilities are onstream". (Interfax - Kazakhstan, January 22)

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